

# Growth and Development of Indian Banking Sector - A Collective Study

<sup>1</sup>Shilpa C.Dharwad, <sup>2</sup>Dr (Smt) A.N.Tamragundi

<sup>1</sup>Research Scholar, <sup>2</sup>Research Guide, Department of Commerce, Karnatak University Dharwad,  
India.

**Abstract:** The Indian Banking Sector is a lifeblood and lifeline of the Indian Economic System and Financial System. After the phase of economic reforms, banking industry became one of the fastest growing sectors in India. The banks are putting more efforts for the development of bank's financial performance. The Indian Banking structure includes; Scheduled & Nationalized Commercial Banks, Old and New Private Banks, Regional Rural Banks, Foreign Banks, Co-operative Banks, these contributing to the betterment of overall performance of the Banking sector. After the economic liberalization in 1991, Indian Banks made the use of Computers in the banking. This was a drastic change to the traditional form of banking to the modernized banking. The present study is an attempt to study the Growth & Development of Indian Banking Sector, comprises the light on evolution of banks with various other phases. The study based on secondary data drawn from the RBI bulletin and reports published. The study covers the data of over a period of five years, with regard to the aspects of Expansion of Bank branches, deposit mobilization by banks in India.

**Keywords:** Nationalized Banks, Indian Banking Sector, Economic Reforms, Computerization, RBI.

## I. INTRODUCTION

An Institution that deals in money and provides various financial services to its customers is the 'Bank'. It is also named as "a tank of money", as the tank or reservoir collects and stores water coming from various small and scattered sources and after accumulation of water in tank is distributed for various purposes through proper particular channels, in the same way 'Bank' a financial institution deals with money, collects money from public in the form of 'deposits' and then accumulated money on demand is distributed to the needy in various fields by the way of lending loans and advances to various sectors like; Industries, Trade and Commerce, Agriculture and other service sector. The Banking Regulation Act of India 1949 defines 'Bank' as; "a financial institution which accepts money from the public for the purpose of lending or investment repayable on demand or otherwise withdrawal by cheques, drafts or order. Origin of the term 'Bank' belongs to the Italian word 'Banco' means 'heap of money'; The French word 'Banque' means 'a bench or place where valuables are kept'; the Latin word 'Bancus' or a German word 'Banc' means 'a joint stock funds'. In olden days the goldsmiths and money lenders used to lend the money, accept the deposits of gold or money from the people for safe custody and pass receipts for the same. Later on came up with an idea that it was found profitable to lend a portion of the deposits on interest in the form of loan. The receipts given by them to the depositors against their deposits began to circulate as money, which was the

beginning of bank notes. The origin of modern banking may be traced the money dealers in Florence, who received money on deposits and were lending money. Every kingdom in Europe started conducting their business with the advancement of civilization and establishment of banks to help commerce and trade in the economy.

## OBJECTIVES OF THE STUDY

- To study the Growth and Development of the Banking sector in India.
- To examine the phases of the evolution of Banking in India.
- To analyse the recent trends of the Banking sector in India

## II. EVOLUTION OF BANKS IN INDIA

During the British rule in the days of East India Company, the banking business was carried by agency houses. The First bank in India was established in 1786. From 1786 till today, the evolution of Banking in India can be explained into distinct phases:-

**First Phase / Early phase (1786 to 1969) of Indian Banks:** The banking activities in India commenced with the set up of "General Bank of India" in 1786 by the British. After this in the mid of 19<sup>th</sup> century the East India Company established the 'Bank of Bengal' in 1809, the 'Bank of Bombay' in 1840, and the 'Bank of Madras' in 1843 as independent units and named as "Presidency Banks". Later on, in the year 1920 these three banks were merged and resulted as the "Imperial Bank of India",

having European Shareholders. In the year 1935, April 1<sup>st</sup> in accordance with the provisions of RBI Act 1934, the ‘Reserve Bank of India’ was established as an important step in the development of Commercial Banking in India.

**Second Phase / Nationalization of Indian Banks (1969 to 1991) and Indian Banking Sector reforms:** In the year 1955 the Imperial Bank of India was nationalized by Government of India which offered extensive banking facilities and became known as the “State Bank of India” for handling Central and State Government Banking transactions and functioning as the principal agent of RBI. In the year 1956, seven subsidiaries of SBI were nationalized. With effect from mid night of 19<sup>th</sup> of July 1969, 14 major commercial banks were nationalized. Later in the year 1975 RRB (Regional Rural Banks) was introduced. In the year 1980, six more banks were nationalized with the deposits of 200 crores. This results in the growth of Banking Sector in India which came under the direct ownership of Government.

**Third Phase / New phase of Indian Banking system with the advent of Indian Financial and Banking sector reforms after 1991:** This phase is a new phase of Indian Banking system with the advent of Indian Financial and Banking Sector reforms after 1991 and a post nationalization period yielded significant changes with periodic reforms after 1991. In the year 1991, under the chairmanship of M.Narasimham, a committee was been set up to favour the liberalization of banking practices.

### III. COMPUTERIZATION OF BANKS ON INDIA

To be exposed to the world’s market, the Indian Banking sector found difficult to compete with International Banks. After the economic liberalization in 1991, Indian Banks made the use of computers in the banking sector, which has led a great impact of the IT revolution on the Indian Banking System. With this RBI set up a number of committees to organize & co-ordinate the Technology in Indian Banks. Committee on Mechanisation in Banks (1984) headed by the chairman Dr.C.Rangarajan introduced MICR technology in Banks. Committee on computerization in banks (1988) headed by Dr.C.Rangarajan stressed on the computerized settlement operations in the clearing houses of RBI. Committee on Technological Payment Systems (1994) headed by chairman W.S.Saraf, implemented EFT with BANKNET communications. Committee for preparing EFT & other Electronic Payment (1995) was set up. In the year 2004- 05 RTGS & NEFT were implemented. In the year 2007-08 RBI introduced Cheque Truncation System in India. With this in the recent years, the face of Indian Banks has seen a drastic change with the adoption of banking technology in terms of the physical, market & financial performance of Banks.

### GROWTH AND DEVELOPMENT OF INDIAN BANKING SECTOR:

The power of economy depends upon the efficiency level of banks to mobilize the savings in the productive way. After the liberalization the banking sector in India has undergone various changes. A strongest banking industry lays a significant impact on economic development through efficient financial services. The growth of Indian Banking Sector can be witnessed with the certain parameters like; Expansion of Branches, Number of Employees employed, the Deposits from the customers, the sectoral deployment of Bank Credit, Loans and advances, Investments, Profitability and so on.

**Table: 1 Expansion of Branches of Scheduled Commercial Banks in India**

Year	Number of Branches	Variation	% of change
2011	94019	-	-
2012	101261	7242	7.70%
2013	105813	4552	4.50%
2014	117280	11467	10.84%
2015	125672	8392	7.16%
2016	138850	13178	9.49%
2017	182838	43988	24.05%

\*RBI Bulletin: Statistical Table relating to Banks in India  
In a bid to take banking services to the remote locations of the country, the RBI has permitted the opening of mini branches or banking outlets across the country of all domestic scheduled commercial banks. The above table witnesses a increase in the expansion of branches of Scheduled Commercial Banks in India.

**Table: 2 Category wise Employees of Scheduled Commercial Banks:**

Year	Officers	Clerks	Sub-staff	Total	% of change
2012-13	565561	377692	153727	1096980	-
2013-14	641893	357230	151158	1150281	4.63%
2014-15	669217	350989	159863	1180069	2.52%
2015-16	750847	350265	154973	1256085	6.05%
2016-17	804940	348608	146460	1300008	3.38%
2017-18	849039	339490	147173	1335702	2.67%

\*RBI Bulletin: Statistical Table relating to Banks in India  
The above table depicts the details of the category wise employees of Scheduled Commercial Banks like the officers, clerks and sub-staff. It is witnessed that the number of employees employed has an increasing trend with variability in number. Increase in the number of

trained human resources of varied category, enables the banks to improve the work efficiency and can contribute to the success and development of the Indian Banking sector.

**Table: 3 Amount of Deposits of Scheduled Commercial Banks in India (in Billion)**

Year	Amount of Deposits	Variation	% of Variation
2012-13	74297	-	-
2013-14	85332	11305	14.9
2014-15	94338	9006	10.6
2015-16	100927	6589	7.0
2016-17	111139	10212	10.1

**Table: 4 Sectoral Deployment of Bank Credit of SCBs in India (in billion)**

Sector/Year	2012-13	%	2013-14	%	2014-15	%	2015-16	%	2016-17	%
Gross Bank Credit	49642	-	56208	14.0	61023	8.6	66500	9.0	71347	7.3
Agriculture	5899	-	6660	13.5	7659	15.0	8829	15.3	9924	12.4
Industry	22302	-	25165	13.6	26576	5.6	27307	2.7	26800	-1.9
Services	11519	-	13375	17.1	14131	5.7	15411	9.1	18022	16.9
Personal Loans	8976	-	10097	13.1	11663	15.5	13922	19.4	16200	16.4

\*RBI Bulletin: Statistical Table relating to Banks in India

The SCBs distributes the credit to various sectors like Agriculture, Industry, Services sector, and also to the Personal loans. The above table depicts the data relating to the sectoral deployment of Bank Credit of the SCBs, showing an increasing trend in advancing loan to sectors. It can be observed that the SCBs have deployed the credit to Industry with the maximum amount compared to the other sectors. The quantum of personal loans advanced to the public in need also depicts an increasing trend for the last five years from 2012 to 2017. The Services sector is also benefited with the bank credit.

#### IV. CONCLUSION

The Indian Banking is fast developing sector, which plays a vital role in developing the Indian economy. Expansion of the Bank branches, deploying the bank credit to various sectors like Agriculture, Industry, Services and Personal Loans, the amount of deposits in generation of funds has all been the eye witness to the growth and development of Indian Banking sector. The Liberalization in Banks has brought the drastic change in the Indian Banking sector in terms of various developments, advancements. The present collective study of the Indian Banking Sector is about the evolution of banks in India and further development made in the Banking sector in India.

#### REFERENCES

[1] "Growth & Development of banking Sector, with inclusive approach in India", Dr Y.Kesava Reddy, ISSN: 2394-4161, P-ISSN: 2349-1701, MIJBR – MITS International Journal of Business Research, vol.1, issue 2, July-Dec 2014.  
 [2] "Financial Inclusion & Growth of Banking Sector in India", Manisha Vikas Jagtap, International Journal of

2017-18	117940	6801	6.1
---------	--------	------	-----

\*RBI Bulletin: Statistical Table relating to Banks in India  
 The amount of Deposits accepted by the Banks helps in generation of funds and to utilize the same in lending the loans to the needy. The above table shows the amount of deposits accepted by the Scheduled Commercial Banks in India, which depicts the increasing trend. Acceptance of deposits helps the banks to generate and mobilize the funds.

Informative and Futuristic Research, ISSN: 2347-1697, vol.3, Issue 9, pg -3221-3228, May 2016.

[3] "Impact of Banking Sector Development on Economic Growth: Empirical Analysis from Polestinian Economy", Md.T.Abusharbeh, Journal of Emerging issues in Economis, Finance and Banking (JEIEFB), ISSN: 2306-367X, vol. 6, Issue 2, pg 2306-2316, 2017.  
 [4] "Profitability Analysis of Scheduled Commercial Banks in India", M.S.Pallavi & Dr. Rajani Saluja, IJARIE – ISSN (o) 2395-4396, vol 3, issue 3, 2017.  
 [5] "Growth of Banking sector in India : A Collective Study of History and its Operations", Manish Khanna and Saurabh Kaushal, Asian J. of Adv. Bsic Sci: vol 2, issue 1, pg 36-45, ISSN (online) : 2347-4114, Nov.2013  
 [6] RBI Bulletins from 2012-13 to 2017-18.